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**DeNUCCI SAYS TREASURY FAILS TO RECONCILE**  
**\$180 MILLION IN ABANDONED PROPERTY**

State Auditor Joe DeNucci reported today that the State Treasury, contrary to his recommendation in a previous audit, still is not performing monthly reconciliations of statements from two banks that handle \$180 million in abandoned property under the Treasury's control.

DeNucci, in an audit of the Treasury's contracts with the two custodian banks, Investors Bank and Trust Company (IBT) and Fleet Investment Services (FIS), said that the lack of reconciliation of monthly statements from the banks has left such abandoned property as stocks, bonds and dividends more vulnerable to loss, theft and misuse.

DeNucci's audit noted that without monthly reconciliations, which could detect errors and other discrepancies in abandoned property records, the Treasury cannot accurately account for the value of the abandoned property holdings under its control. The audit recommended that the Treasury establish adequate internal controls to ensure the accuracy of the monthly statements and the investment portfolio balances reported by the banks.

A review of IBT's monthly statements found such problems as pricing errors, discrepancies in accounting methods, the misclassification of bonds as stock on IBT's computer system, and incorrectly reported book and market values. This resulted in overstated unrealized gains and losses on the monthly statements.

Also, DeNucci's audit found that Affiliated Computer Services, a firm under contract with the Treasury to recover abandoned property, occasionally retained instead of depositing securities directly in the Fleet Investment Services account, thus reducing the bank's and the Treasury's control over these holdings.

In another finding, DeNucci's audit reported that the market value of the stocks, bonds and other securities on deposit in several accounts with IBT dropped from \$150 million on Jan. 31, 2000 to \$106 million as of July 31, 2001, a \$44 million reduction, reflecting the downturn in the stock market as well as the return of securities to the owners.

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Treasury officials could not detail how much of this loss was attributed to redemption of owners' claims and how much resulted from declines in the stock market.

A previous DeNucci audit last year noted that the Office of the State Treasurer, despite a law stating that "the treasurer shall proceed with the liquidation of property not earlier than one year after its delivery," has not held a sale of stocks, bonds and dividends since 1990. Had the Treasury sold these securities as intended by the law, the audit stated, then these properties would not have been subject to fluctuations in the market and their value could have been protected.

In addition, DeNucci's audit disclosed that the Office of the State Treasurer has not required one of its custodian banks to denote the date when abandoned securities were received and deposited. Without this information, the Treasury cannot effectively monitor compliance with the state law calling for periodic liquidation of abandoned property.

Finally, DeNucci's audit disclosed that the Office of the State Treasurer failed to issue new competitively bid contracts for the abandoned property custodial services. The IBT contract was simply extended by amendments increasing its fees. The FIS contract dates back to 1996 and has no termination date.